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United States Senate

COMMITTEE ON SMALL BUSINESS

WASHINGTON, DC 20510-6350

July 14, 2000

VIA FACSIMILE: (202) 693-6111
ORIGINAL BY U.S. MAIL

The Honorable Alexis Herman
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, D.C. 20210

Dear Secretary Herman:

Please note my disappointment and dissatisfaction with the Department of Labor (DOL), Employment and Training Administration's (ETA) letter, dated June 29, 2000, addressing my concern with the ETA's management and oversight of the Welfare-to-Work Competitive Grants Program (WtW Grants Program). Specifically, the ETA neither responded to my second request for a corrective action plan nor arranged to brief my staff, as specifically requested, on the matters of concern in my letter dated June 8, 2000.

As noted previously, the DOL Office of Inspector General (OIG) concluded in its "Evaluation of the Employment and Training Administration's Award Process for Welfare-to-Work Competitive Grants (Round 1)" (WtW Evaluation) that the ETA's response to the WtW Evaluation was "insufficient" and did not demonstrate a "commitment to establish a clear and sufficient set of internal controls that will correct the deficiencies" In light of the ETA's response to my June 8th letter, I can now personally appreciate the OIG's conclusion.

First, I am shocked by the ETA's rationale that "some measure of low achievement should not be unexpected" in the WtW Grants Program. The OIG's determination that problems existed with the ETA's due diligence in the pre-award clearance process contradicts the ETA's contention that "every effort is made to minimize [low achievement]." Assistant Secretary Bramucci's response typifies the ETA's inability to recognize the nature of the problem:

Last Spring, ETA teams, together with objective third party experts . . . visited those grantees identified by our field monitors as low achievers. The purpose of the visits was to identify causes and determine technical assistance needs. In September 1999, we also recaptured \$2.2 million of awarded funds from five Competitive Grantees who were particularly slow in mounting full implementation of their programs and used those dollars to make additional grants in our third and final round of WtW Grant awards. (emphasis added).

It is worthwhile to note that the Devereaux Corporation was awarded a WtW grant in that third and final round. You are well aware of the Devereaux Corporation's poor record of achievement in the WtW Grants Program, but it is apparent that the ETA's merry-go-round of grant funds, from one "low achiever" to the next, does not "show responsible stewardship of public funds." This is precisely the type of mismanagement that I find troubling — the waste of taxpayer dollars should never be expected or condoned.

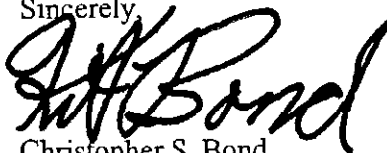
Second, the OIG's WtW Evaluation addressed the ETA's lack of due diligence in the pre-award clearance process. The ETA's failure in this regard is demonstrated by the need for recapturing funds from "low achievers," as well as by the serious problems identified by the OIG in the Washington Alliance and Devereaux Corporation surveys. With this in mind, there are two points that I believe the ETA has yet to recognize. First, the ETA states that "because of the conscious focus upon nontraditional service deliverers, my office has paid particular attention to program oversight." While increased oversight is evidently necessary in the WtW Grants Program, it should not be noted as a hallmark when insufficient due diligence in the pre-award clearance process led to the problem in the first place. Second, the ETA fails to recognize that every dollar that goes toward ETA's anticipated low achievement level — at least \$3.2 million according to the ETA, without considering over \$8 million awarded to the Devereaux Corporation and Washington Alliance — deprives more qualified applicants from entering the WtW Grants Program.

Third, the ETA's assurance that adding a notice of 18 U.S.C. § 1001 to grant applications "would be redundant" raises more questions about the ETA's stewardship of Federal tax dollars. Providing notice of § 1001 criminal penalties, as a deterrent against false, fictitious, or fraudulent statements, is a proven common-sense precautionary measure regardless of its redundancy. WtW Grant Program applicants, such as the Devereaux Corporation and Washington Alliance, may have thought twice if unmistakably notified of potential criminal penalties before signing applications containing material misrepresentations. It is astounding that the ETA found it appropriate to quibble about the redundancy of a measure that serves to protect the Federal government's interest.

Finally, I appreciate that fairness and due process dictate your determination whether the Devereaux Corporation and Washington Alliance grants should be terminated. Accordingly, I repeat my request for a confidential briefing about the Devereaux Corporation and Washington Alliance's current organizational structure, program operations, and the ETA's current position on whether the Washington Alliance and Devereaux Corporation should be terminated. In addition, I request *for the third time* that the ETA submit a corrective action plan during the briefing, including a timeline with deadlines for implementing the OIG's recommendations and for receipt of any "workgroup reports."

I would appreciate receiving a confidential briefing from the ETA no later than July 28, 2000. If you or your staff have any questions regarding this matter please do not hesitate to contact me or have your staff contact Paul Cooksey, Chief Counsel for the Committee, at (202) 224-5175. Thank you in advance for your cooperation.

Sincerely,



Christopher S. Bond
Chairman

cc: Senator Jon Kyl

Raymond J. Bramucci
Assistant Secretary for
Employment and Training